

**CORPORATE FRANCHISE AND INCOME
TAXES - EXEMPTION FOR BANKS**

2005 GENERAL SESSION

STATE OF UTAH

Sponsor: Wayne A. Harper

LONG TITLE

General Description:

This bill modifies the Corporate Franchise and Income Taxes chapter relating to the taxation of banks.

Highlighted Provisions:

This bill:

- ▶ provides an exemption from corporate franchise and income taxes for banks; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill takes effect for taxable years beginning on or after January 1, 2006.

Utah Code Sections Affected:

AMENDS:

59-7-102 (Contingently Superseded 05/02/05), as last amended by Chapters 76 and 286, Laws of Utah 2002

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **59-7-102 (Contingently Superseded 05/02/05)** is amended to read:

59-7-102 (Contingently Superseded 05/02/05). Exemptions.

(1) Except as provided in this section, the following are exempt from this chapter:



- (a) an organization exempt under Section 501, Internal Revenue Code;
- (b) an organization exempt under Section 528, Internal Revenue Code;
- (c) an insurance company that is otherwise taxed on the insurance company's premiums under Chapter 9, Taxation of Admitted Insurers;
- (d) a building authority as defined in Section 17A-3-902;
- (e) a farmers' cooperative; ~~or~~
- (f) a public agency, as defined in Section 11-13-103, with respect to or as a result of an ownership interest in:
- (i) a project, as defined in Section 11-13-103; or
- (ii) facilities providing additional project capacity, as defined in Section 11-13-103[-];
- or
- (g) a bank as defined in Section 7-1-103.
- (2) Notwithstanding any other provision in this chapter or Chapter 8, Gross Receipts Tax on Certain Corporations Not Required to Pay Corporate Franchise or Income Tax Act, a person not otherwise subject to the tax imposed by this chapter or Chapter 8 is not subject to the tax imposed by Sections 59-7-104, 59-7-201, 59-7-701, and 59-8-104, because of:
- (a) that person's ownership of tangible personal property located at the premises of a printer's facility in this state with which the person has contracted for printing; or
- (b) the activities of the person's employees or agents who are:
- (i) located solely at the premises of a printer's facility; and
- (ii) performing services:
- (A) related to:
- (I) quality control;
- (II) distribution; or
- (III) printing services; and
- (B) performed by the printer's facility in this state with which the person has contracted for printing.
- (3) Notwithstanding Subsection (1), an organization, company, authority, farmers' cooperative, or public agency exempt from this chapter under Subsection (1) is subject to Part 8, Unrelated Business Income, to the extent provided in Part 8.
- (4) Notwithstanding Subsection (1)(b), to the extent the income of an organization

59 described in Subsection (1)(b) is taxable for federal tax purposes under Section 528, Internal
60 Revenue Code, the organization's income is also taxable under this chapter.

61 Section 2. **Effective date.**

62 This bill takes effect for taxable years beginning on or after January 1, 2006.

Legislative Review Note

as of 1-18-05 4:41 PM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel

Fiscal Note
Bill Number HB0227**Corporate Franchise and Income Taxes-Exemption for
Banks***25-Jan-05
9:12 AM*

State Impact

Passage of this bill could result in a Uniform School Fund loss of \$14,000,000 in FY 2006 and a loss of \$36,000,000 in FY 2007.

| | <u>FY 2006</u> <u>Approp.</u> | <u>FY 2007</u> <u>Approp.</u> | <u>FY 2006</u> <u>Revenue</u> | <u>FY 2007</u> <u>Revenue</u> |
|---------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Uniform School Fund | \$0 | \$0 | (\$14,000,000) | (\$36,000,000) |
| TOTAL | \$0 | \$0 | (\$14,000,000) | (\$36,000,000) |

Individual and Business Impact

Banks who have tax liabilities would not longer be subject to income tax.

Office of the Legislative Fiscal Analyst